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Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020

Report of the Secretary-General

Summary

The present report is submitted pursuant to General Assembly resolution 71/238 and Economic and Social Council resolution 2016/15, in which the Secretary-General was requested to submit a progress report on the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action).

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I. Introduction

1. The present report provides comprehensive information and analysis on recent progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action),[1] covering all eight priority areas for action and the overarching goal of enhancing graduation. It also reflects decisions and actions by Member States on the further implementation of the Istanbul Programme of Action, including the outcome of the Comprehensive Midterm Review of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020, which took place in Antalya, Turkey, in May 2016 (see A/CONF.228/3, chap. I). Furthermore, it highlights activities by other stakeholders, including civil society and the private sector. Statistical data used for the report are available online.[2]

2. The report provides recommendations on how the implementation of the Istanbul Programme of Action can be improved, with the objective of ensuring that its goals and targets are achieved in the least developed countries using synergies with the 2030 Agenda for Sustainable Development (General Assembly resolution 70/1), including the Sustainable Development Goals and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (see General Assembly resolution 69/313, annex), as well as the Paris Agreement on Climate Change.[3] 2016 marked the first year of the implementation of these agreements, which reflect the specific development concerns of the least developed countries and priority areas of the Istanbul Programme of Action.[4]

II. Progress in the implementation of key priorities of the Istanbul Programme of Action

3. Average growth in the gross domestic product (GDP) of the least developed countries is estimated to increase in 2016 to 4.5per cent from 3.8per cent in 2015. The growth forecast by the Department of Economic and Social Affairs of the Secretariat for 2017 has been revised downwards, from 5.6per cent to 5.2per cent, and for 2018, least developed countries are forecast to grow at 5.5 per cent, well below the 7 per cent target set in the Istanbul Programme of Action and the Sustainable Development Goals.

4. Five least developed countries grew at the 7 per cent target or faster in 2015, down from nine countries in 2014. While only three least developed countries experienced negative growth rates in 2014, six saw their economies contract in 2015, although these recessions are forecast to gradually phase out by 2018. The fastest growing economies in 2015 included Ethiopia (9.6 per cent), and Mali and the Lao People's Democratic Republic (each 7.6 per cent) and Myanmar (7.3 per cent). In 2016, Myanmar was estimated to have grown at 8.3 per cent, followed by Cambodia and the United Republic of Tanzania (each at 7 per cent).

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[1] Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9-13 May 2011 (A/CONF.219/7), chap. II.

[2] Available from http://unohrlls.org/. The data are compiled from the official statistics produced by international organizations.

[3] See FCCC/CP/2015/10/Add.1, decision 1/CP.21, annex.

[4] The report entitled "State of the least developed countries 2016", issued in 2016 by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, provides a mapping of the goals and targets of the Istanbul Programme of Action with the Sustainable Development Goals. Available from http://unohrlls.org/custom-content/uploads/2016/08/State-of-LDCs2016.pdf.

5. This mixed performance can be attributed to several macroeconomic developments. Fuel-producing least developed countries and other commodity exporters have been adversely affected by the decreases in commodity prices, leading to slow growth, fiscal imbalances and a weakening of their foreign reserves. Least developed countries with more diversified export bases are doing better.

6. Some least developed countries are struggling, owing to lower remittances, natural disasters or conflicts and macroeconomic tightening. Sierra Leone, which was hit by the Ebola virus epidemic in 2014, saw its economy contract by 20.3 per cent in 2015. Countries affected by conflict have also suffered economic contractions, including South Sudan and Yemen, which are also affected by famine, with growth rates of -13.1 per cent and -4.0 per cent in 2016, respectively.

7. Poverty in least developed countries remains persistent, although its monitoring is limited by the lack of data. The latest available information shows a reduction of poverty in several least developed countries, including Burkina Faso, Mauritania and the Niger. Of the 19 least developed countries with poverty data since 2011, 7 have poverty rates in excess of 50 per cent, while 4 have rates under 20 per cent. Of the 16 least developed countries with two or more data points since 2001, poverty rates have declined in 9 countries and increased in 7.

A. Productive capacity

8. Structural transformation in least developed countries has been slower than in other developing countries. The average share of manufacturing in least developed countries increased marginally, from 12.1 per cent in 2014 to 12.7 in 2015. However, 14 of the 30 least developed countries for which data for 2015 was available showed a decrease in the share of manufacturing in GDP (11 in Africa and 3 in Asia-Pacific).

9. Gross capital formation as a percentage of GDP has been constant at around 24 per cent since 2011, compared with an average of 31.6 per cent in developing countries as a whole. In 2015 in least developed countries, investment actually declined to 23.5 per cent of GDP, down from 24.9 per cent in 2014.

Infrastructure

10. The number of Internet users per 100 people continued to increase, reaching 12.6 per cent in 2015, up from 10.3 per cent in 2014 and triple the rate in 2010. Five least developed countries had more than 25 Internet users per 100 people in 2015 — Bhutan (39.8), Sao Tome and Principe (25.8), the Sudan (26.6), Tuvalu (42.7) and Yemen (25.1). However, 19 least developed countries still had Internet access rates below 10 per cent, including 11 countries below 5 per cent.

11. Mobile cellular subscriptions also increased from 63.6 per 100 people in 2014 to 68.6 in 2015 (more than double their rate in 2010). Cambodia, the Gambia, Lesotho, Mali and Timor-Leste had penetration rates above 100 per cent in 2015. However, 12 least developed countries still had more than half their population without access to mobile telephones. Furthermore, rural-urban disparities remain, even in countries with high overall mobile access.

12. The share of air freight of least developed countries in world transport has marginally increased, from 0.8 per cent in 2014 to 0.9 per cent in 2015 (having nearly doubled from 0.47 per cent in 2010). Ethiopia and Bangladesh account for 85 per cent the air freight of least developed countries (accounting for 74 per cent and 11 per cent, respectively), while 12 least developed countries have either zero or negligible air freight.

13. The Liner Shipping Connectivity Index, which measures how well countries are connected to global shipping networks, declined from 8.6 in 2015 to 8.2 in 2016, although this level is still 31 per cent higher than that in 2011. In terms of the quality of maritime infrastructure, in 2015, the least developed countries scored 2.9 on the World Economic Forum Quality of Port Infrastructure measure (which ranges from 1 to 7), not far behind developing countries as a whole at 3.5.

14. Public-private partnerships in infrastructure investment have the potential to strengthen productive capacity. Recent examples from the World Bank Private Participation in Infrastructure Database include the Dakar-Diamniadio Toll Road Extension in Senegal, with an investment of $173 million, and the Kathmandu-Kulekhani-Hetauda Tunnel Highway in Nepal, totalling $350 million. Much more investment and regulatory reform, however, are needed for least developed countries to bridge their infrastructure gap and enable them to participate in global value chains.

Energy

15. The percentage of the population in least developed countries having access to electricity increased, from 35.8 per cent in 2012 to 38.3 per cent in 2014. Progress in least developed countries in the Asia-Pacific region was faster than those countries in Africa. Among the least developed countries in Africa, the fastest progress was observed in Sao Tome and Principe, Rwanda and the Sudan. The growth in access to electricity has been uneven. In six least developed countries, the percentage of population with access declined in the period from 2012 and 2014. Likewise, the gap between access to electricity between rural and urban populations remains vast: in 2012, only 26 per cent of the rural population had access, compared with 68 per cent of the urban population.

16. Factors hindering faster growth of access to energy include the slow expansion of energy supply, high user fees, owing in part to an energy mix that is tilted towards fuel-powered energy plants, and enduring losses in the transmission and distribution of electricity as well as the lack of investment. The notable improvement in the competitiveness of renewable power generation technologies offers new opportunities to many least developed countries to increase access and make such technologies more affordable and accessible.

Science, technology and innovation

17. With respect to science, technology and innovation, least developed countries are lagging behind in all aspects. Citizens of least developed countries (both residents and non-residents) filed a total of 542 patents in 2014, down from 639 in 2010. For comparison, 516 patents were filed in Sri Lanka alone in 2013. Furthermore, the filing of patents was concentrated in a few least developed countries, with Bangladesh accounting for 54 per cent, Cambodia for 12 per cent and Yemen for another 10 per cent. Madagascar and Zambia led patent filing in the least developed countries in Africa, with 6 per cent and 7 per cent of the total, respectively.

18. In 2013, only 0.3 per cent of the scientific and technical articles published in journals worldwide came from least developed countries (up from 0.27 in 2010), which corresponds to 7.2 articles per 1 million people. The limited data relating to expenditure on research and development in least developed countries indicates that it is probably less than 0.5 per cent of GDP, compared with 1.4 per cent in developing countries. This low rate of spending explains in part the limited use of advanced technology in the economies of least developed countries. Other obstacles to technological diffusion include isolation from global research networks, limited

domestic capacities in science and technology and the lack of technicians and researchers in research and development.

19. On 23 December 2016, the General Assembly officially established the Technology Bank for the Least Developed Countries as a new United Nations institution, which is a long-standing priority of the least developed countries provided for in the Istanbul Programme of Action and reiterated in Sustainable Development Goal 17. The Technology Bank for aims to build national and regional capacities in the areas of intellectual property rights and technology-related policies, as well as facilitate the transfer of technologies on voluntary and mutually agreed terms and conditions.

Private sector development

20. There has been some improvement in creating an enabling environment for the private sector in least developed countries. Several countries, such as Bhutan (73rd), Rwanda (56th), Vanuatu (83rd) and Zambia (98th) are among the top 100 in the overall ranking of the Doing Business indicators. Fourteen least developed countries were ranked among the top 100 for starting a business and seven were in the top 100 for trading across borders.

21. In the private sector, however, the prevalence of small firms hampers inter-firm linkages and reduces the scope for innovation and economies of scale, which is constraining productivity growth. Other obstacles to private sector development are high transport and transaction costs and trade barriers, which limit the competitiveness of least developed countries in global markets.

B. Agriculture

22. Agriculture is still the largest employer in most least developed countries, with an average of 60 per cent of the employed population. The average share of value added in agriculture as a percentage of GDP has remained constant at around 26 per cent in the past three years.

23. It is estimated that in 2015, 22.3 per cent of the population — 177 million people — lived with hunger in the least developed countries, mainly in rural areas. The reliance on agriculture for their livelihoods and the high share of expenditure of the poor on food makes them especially vulnerable to poverty and hunger. In February 2017, famine was declared in South Sudan, where nearly half the population is considered to be severely food insecure. In two other least developed countries, Somalia and Yemen, famine looms.

24. Agricultural productivity in least developed countries remained constant from 2010 to 2014. The index of production per capita stood at around 112.3 from the baseline of 100 during the period 2004-2006. The use of fertilizer increased only marginally for least developed countries in Africa, from 24.1 kg per hectare of arable land in 2013 to 26.7 kg in 2014. In least developed countries in Asia, the use of fertilizer was much higher, with 81.7 kg in 2014. However, this was driven mainly by very high use in Bangladesh and Nepal. Most other Asian countries used around 20 kg of fertilizer. Irrigation is also the exception in most least developed countries, with only 8.3 per cent of total agricultural land being irrigated.

25. Recent decreases in food prices have made food less expensive for the urban poor, while negatively affecting the incomes of rural food producers. Furthermore, price declines and volatility have increased uncertainty and reduced investments in agriculture.

C. Trade

26. The share of exports from least developed countries in world trade further declined to 0.97 per cent in 2015 from 1.09 per cent in 2014, for the first time below 1 per cent since 2007 and further below the target of 2 per cent set by the Istanbul Programme of Action and the Sustainable Development Goals. The concentration of merchandise exports from least developed countries has shifted, with 67 per cent consisting of primary commodities, precious stones and non-monetary gold in 2015, down from 76 per cent in 2014. This is due in part to the recent decline in commodity prices but also to the increasing importance of clothing exports, mainly from Bangladesh and Cambodia.

27. Members of the World Trade Organization (WTO) continued their efforts to advance duty-free and quota-free market access for the products of least developed countries in 2016. All developed Members provide either full or significant duty-free and quota-free market access to the products of least developed countries. A growing number of developing Members, including the top trading partners of least developed countries (China, India and Thailand), grant a significant degree of duty-free and quota-free access to the least developed countries and some have reached comprehensive duty-free and quota free coverage

28. The transparency of rules of origin related to trade preferences has further increased. On 1 January 2017, the European Union, Norway and Switzerland introduced a new system of self-certification of origin for registered exporters from least developed countries.

29. Progress has been registered in the area of preferential treatment for the services and service suppliers of least developed countries. Following the decision on the services waiver for least developed countries, adopted at the Tenth Ministerial Conference of WTO, held in Nairobi in 2015, members have continued work on the operationalization of the waiver. So far, 23 members have notified their service preferences for least developed countries at WTO.

30. The Midterm Review included the objective of increasing aid for trade support, and to strive to allocate an increasing proportion of aid for trade to the least developed countries. In 2015, aid for trade disbursements to least developed countries amounted to $10.5 billion, representing a nominal increase of 18 per cent, compared with average disbursements during the period 2009-2011. Economic infrastructure projects benefitted from more than half of aid for trade flows to least developed countries, while agriculture received more than a quarter of flows. Aid for trade flows to least developed countries represented 27 per cent of total disbursements in 2015, compared with 25 per cent in 2014.

31. The Istanbul Programme of Action called for the facilitation and acceleration of accession negotiations with least developed countries based on the accession guidelines. At present, 36 of 48 least developed countries are members of WTO. Two least developed countries, Afghanistan and Liberia, officially acceded to the WTO in July 2016, and accession negotiations were initiated for two other least developed countries, Somalia and Timor-Leste, in December 2016. Six additional least developed countries are currently in the process of accession (Bhutan, Comoros, Equatorial Guinea, Ethiopia, the Sudan and Sao Tome and Principe).

32. The WTO Agreement on Trade Facilitation entered into force on 22 February 2017, with ratifications from Chad and Rwanda. According to a study by WTO, least developed countries are likely to see an increase of up to 35 per cent of the number of new products exported once the Agreement is fully implemented. This

could have a positive impact on the terms of trade for least developed countries, as the total value of exports from these countries is likely to increase.

D. Commodities

33. The percentage of exports of primary commodities by least developed countries declined significantly, from an average of 80 per cent of exports in 2011 to 67 per cent in 2015. The decline in merchandise exports was mainly observed in fuels (21 percentage points). However, exports of manufactured goods increased by about 12 percentage points during the same time period.

34. These changes occurred within a context of continuing declines in commodity prices after 2011/12, when the last price spikes were experienced. Strong oil supply resulted in a sharp decline in annual crude petroleum prices, by more than 50 per cent between 2011 and 2015. Oil prices recovered modestly in 2016 but remained below the prices of 2012-2014. Non-fuel commodity prices also weakened, with the price of food declining by about 22 per cent between 2011 and 2015, which was driven primarily by a drop in cereal prices, owing to higher global cereal production. In 2016, food prices increased slightly by 4 per cent, on average, and further slight increases are expected. Commodity prices are expected to remain low in the near term, thus further weakening growth prospects for commodity exporters.

35. Deteriorating terms of trade led to economic contraction in most of the net oil-exporting least developed countries, including Angola, Chad, Equatorial Guinea, South Sudan and Timor-Leste. Net oil-importing least developed countries, which are expected to gain from low prices on account of improving terms of trade, exhibited subdued growth rates. This suggests that the effect of the declining prices on the economic activities in oil-importing least developed countries has been limited.

E. Human and social development

Education and training

36. Although substantial progress has been made since the beginning of the decade, universal primary education remains a challenge for many least developed countries. Net primary enrolment stands at 83.2 per cent for 2014, compared with 81.9 per cent in 2010. More than 31.95 million children of primary school age were not attending school in the least developed countries for the period 2009-2015. The rate of enrolment in secondary education was low compared with other developing countries. For the period 2009-2015, 19.4 million adolescents of lower secondary school age were not enrolled. High pupil-to-teacher ratios, poor infrastructure, inadequate training and deficiencies in equipment contributed to subpar educational outcomes.

Population and primary health

37. The population of the least developed countries in 2015 was 954 million, an increase of 43 per cent since 2000. Projections indicate that this trend will persist, with an estimated increase in population of 38.9 per cent between 2015 and 2030.

38. Maternal mortality continues to be high. In 2015,the number of maternal deaths per 100,000 live births was 435 for the least developed countries. Less than 40 per cent of mothers and only a quarter of newborns benefit from a postnatal health check within two days of birth. The large segment of the population living in

rural areas, where there is limited access to adequate health facilities and skilled personnel, poses additional difficulties for the adequate provision of services.

Youth development

39. The median age of the population in least developed countries in 2015 was 19.7, the lowest of any country grouping. The fertility rate, which was 4.27 for the period 2010-2015, was also high compared with that of other developing countries. Resources for family planning in the least developed countries are limited, with only 36.3 per cent of women of reproductive age, that are married or in a union, using modern contraceptive methods and 22 per cent having unmet needs for family planning.

Shelter

40. In 2016, 68.1 per cent of the population of the least developed countries lived in rural areas, down from 70.6 per cent in 2011. Internal migration from rural areas has resulted in an increasing share of the population living in urban areas, from 24.4 per cent in 2000 to 31.9 per cent in 2016. Projections indicate that the urban population of the least developed countries will reach 39.3 per cent of their total population by 2030.

41. Currently, half of the urban population of the least developed countries lives in cities with less than 300,000 inhabitants. These cities will experience high population growth, forecast at 3 per cent per year from 2014 to 2030. A tenfold increase is expected in the number of cities with 5 million to 10 million inhabitants. The increase in urban and peri-urban population is often not accompanied by the necessary services and adequate infrastructure. As cities grow, inequalities in access to essential services, such as health, water and sanitation, also increase. In addition, external shocks, such as epidemic emergencies, are compounded by poor infrastructure.

Water and sanitation

42. In the period from 2011 to 2015, 39 million people in least developed countries gained access to an improved source for drinking water, an increase of 7.8 per cent. Yet, 30.8 per cent of the population lacked access in 2015. In rural areas, 38.3 per cent of the population did not have access, while in urban areas, it was 14.3 per cent.

43. In 2015, 62.5 per cent of the population did not have access to improved sanitation facilities, which represents a decrease of 1 per cent from 2014. Since 2011, 62.9 million people have gained access, an increase of 21 per cent over the period 2011-2015.

Gender equality and the empowerment of women

44. Eleven least developed countries have achieved gender parity in school enrolment at the primary level. However, none of them has achieved it at the secondary and tertiary levels. Disparities are larger in secondary education, although some countries display significant progress. The gender gap for tertiary education remains very wide.

45. The representation in parliament has consistently increased over the past 10 years. As at March 2017, 23.5 per cent of seats of parliament in the least developed countries were held by women, an increase of 3.3 per cent since 2011. Six of the top

20 countries by percentage of parliamentary seats held by women were least developed countries.[5]

Social protection

46. Underemployment and precarious employment constitute a serious challenge for least developed countries, with over a third of their total employed population living in extreme poverty. In 2014, the employment-to-population ratio was 69.4 per cent for the population over 15 years of age and 53.4 per cent for those between 15 and 24 years of age.

47. The structural features of the economies of many least developed countries hamper the creation of decent employment. Employment growth for the least developed countries between 2000 and 2014 was 2.8 per cent per annum; for adults, 3.3 per cent per annum; and for youth, only 2.2 per cent, thus lower than average growth rates for the same period.

48. In the least developed countries, the coverage of social protection and labour reaching the poorest quintile of the population was 21 per cent, using the latest available value since 2009. Limited domestic resources and the small space to increase them, given the structure and, in some cases, the size of the economy of the least developed countries, constrain the ability of the public sector to increase social spending. The size of the informal sector is among the factors that make it difficult to reach the poorest in the least developed countries.

F. Multiple crises and other emerging challenges

Economic shocks

49. Global uncertainties continued to affect least developed countries, and, in specific countries, there has been significant economic disruption arising from conflicts, natural disasters and the Ebola virus outbreak as well as declining commodity prices, leading to lower growth.

50. Against this backdrop, the average ratio of total reserves to external debt in least developed countries decreased to 52.4 per cent from 55 per cent the previous year, with an improvement registered only in eight countries. Fourteen least developed countries increased their foreign exchange reserves over the past year. However, on average, debt servicing as a percentage of exports increased in these countries to 7.5 per cent from 6 per cent, with four least developed countries improving performance.

Climate change and environmental sustainability

51. The past year saw global temperature reach a record high, sea level rose unabated, while sea ice reached exceptionally low levels. The strong El Niño event compounded warming from long-term climate change caused by greenhouse gas emissions. Severe droughts threatened millions across southern and eastern Africa and Central America. Tropical storms caused widespread suffering, while heavy rains and floods hit eastern and southern Asia. The least developed countries were severely affected by these events. Food insecurity and the threat of famine

[5] Rwanda (61.3 per cent), Senegal (42.7 per cent), Mozambique (39.6 per cent), Ethiopia (38.8 per cent), Timor-Leste (38.5 per cent) and Angola (38.20 per cent). These figures correspond to the percentage of seats occupied by women in the lower house. Depending on the configuration of the political system, some countries also have an upper house or a senate.

threatened several of these countries, and climate-induced migration was reported to be on the rise in the least developed countries in the Pacific region.

52. Some progress has, however, been made in supporting the least developed countries in addressing the challenge of climate change. By the end of February 2017, the total cumulative donor pledges to the Least Developed Countries Fund for national adaptation programmes of actions amounted to $1.22 billion, while paid contributions totalled $1.14 billion. By March 2017, a total of 248 implementation projects for national adaptation programmes of action had been approved by the Global Environment Facility Council for funding from the Least Developed Countries Fund, while an additional 20 proposals for such projects had been cleared technically and were awaiting the availability of resources. A total of $41.7 million from the Fund was made available to support national adaptation plans in five least developed countries under the National Adaptation Plan Global Support Programme.

53. In addition, the Green Climate Fund has allotted $3 million per country towards the formulation of national adaptation plans. Liberia and Nepal have already accessed this funding. Furthermore, under the Readiness and Preparatory Support Programme of the Fund, for which there is an allocation of up to $1 million per country per year, a total of $5.8 million has been committed to 20 least developed countries. Nine countries have also accessed funding from the Fund for the implementation of adaptation projects. Many least developed countries, however, have difficulties accessing and absorbing climate finance owing to complicated application procedures, as well as limited institutional capacity. Furthermore, these amounts only meet a small fraction of the estimated overall funding required for adaptation.

54. Forests contribute to mitigating climate change by sequestering carbon dioxide. They also help to preserve biological diversity, combat soil erosion and provide ecosystem services and economic benefits. Deforestation continues to be an issue of concern in least developed countries, with forested areas declining over the past year in in all but three of these countries.

Disaster risk reduction

55. Disasters caused by climate extremes such as droughts, tropical cyclones and severe storms, floods and heat waves lead to significant loss of life and socioeconomic impacts. Disasters can significantly compromise development and growth, particularly in countries with the least capacity to respond.

56. In October 2016, the south of Haiti was hit by Hurricane Mathew. Much of the area's infrastructure was destroyed, including communications, transport, health facilities and schools. In March 2017, Cyclone Enawo affected almost half a million people in Madagascar, destroying more than 40,000 houses and up to 85 per cent of the planted subsistence crops in some areas.

57. The Sendai Framework for Disaster Risk Reduction 2015-2030, adopted at the Third United Nations World Conference on Disaster Risk Reduction (see General Assembly resolution 69/283, annex II), recognizes the special needs faced by least developed countries (as well as certain other groups of countries), in view of their higher vulnerability and risk levels, which often greatly exceed their capacity to respond to and recover from disasters. In response to Sendai target 18 (g), the United Nations Office for Disaster Risk Reduction, the World Meteorological Organization and the World Bank, together with other partners, launched the Climate Risk and Early Warning Systems initiative, which aims to increase significantly the capacity for multi-hazard early warning systems in small island developing States and least developed countries. Under this initiative, by 2020, all

relevant small island developing States and least developed countries are expected to have at least moderate early warning systems and risk information capacities. The initiative aims to mobilize $100 million by 2020 in order to fill the gaps in the exiting bilateral and multilateral cooperation programmes. A trust fund hosted by the Global Facility for Disaster Reduction and Recovery will support the development of implementing institutions and organizations and their activities.

G. Mobilizing financial resources for development and capacity-building

Domestic resource mobilization

58. The rate of gross domestic savings as a percentage of GDP in least developed countries declined from 16.2 per cent in 2014 to 12.9 per cent in 2015, which was triggered by lower commodity revenues and growth. The exceptionally low domestic revenues by Governments of least developed countries are the by-product of their economic structures, high poverty rates, weak tax administration and the nature of their tax systems. However, in recent years most least developed countries were able to increase their tax revenue as a percentage of GDP from a median of 13.0 per cent in 2010 to 14.8 per cent in 2014. Thus, around half of the these countries reached tax revenues of 15per cent of GDP or above, which is considered to be the minimum below which countries face serious difficulties in executing basic State functions. This has been driven by reforms of the tax system in many least developed countries in order to reduce tax evasion, broaden the tax base and enhance transparency. In several least developed countries, revenue authorities have been removed from ministries and set up as autonomous units.

59. To enhance domestic resource mobilization, ODA towards the tax system has increased. The share of aid specific to tax policy and administration of total ODA to least developed countries by members of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee increased from 0.06 per cent in 2014 to 0.30 per cent in 2015, but this aid was concentrated in only a very small number of those countries.

Official development assistance

60. Total ODA from OECD Development Assistance Committee countries to least developed countries declined from $41 billion in 2014 to $37.3 billion in nominal terms in 2015, whereas in real terms, it increased by 8 per cent owing to the depreciation of the currencies of the members of the Development Assistance Committee against the United States dollar. Preliminary data show that bilateral net ODA to least developed countries was $24 billion in 2016, representing a fall of 3.9 per cent in real terms compared with 2015. In 2015, 28 per cent of total ODA was allocated to least developed countries, down from 30 per cent in 2014. Seven OECD Development Assistance Committee donors (Denmark, Finland, Ireland, Luxembourg, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland) reached the goal of providing at least 0.15 per cent of gross national income in ODA to least developed countries, down from 8 donors in 2014 and 9 in 2013. The overall share of ODA in the donors' gross national income remained constant at 0.09 per cent, far below the lower end of 0.15 per cent called for in the Istanbul Programme of Action and the Sustainable Development Goals. Ireland provided the highest share of ODA to least developed countries, with 48 per cent. Belgium has committed to send at least half of its ODA to least developed

countries by 2019.[6] In several cases, development partners have designated a large share of least developed countries as focus countries. For example, 11 of the 12 focus countries of Norway are least developed countries.[7]

61. Progress with respect to the quality of aid has also been slow, according to the OECD progress report of 2016 on making development cooperation more effective. The annual predictability of ODA[8] did not increase overall and was still lower in least developed countries (79 per cent) than in other developing countries (88 per cent) in 2015. The use of country systems[9] has slightly improved but was also much lower in least developed countries (45 per cent) than in other developing countries (56 per cent).

External debt

62. The external debt burden of least developed countries increased from 25.6 per cent of GDP in 2014 to 28.8 per cent in 2015, surpassing its previous peak of 27.2per cent in 2010. During that period, Mozambique and Zambia registered the largest percentage point increases (17.6 per cent and 14.9 per cent, respectively), while 13 least developed countries saw their debt to GDP burden decrease somewhat in 2015, with the biggest drops in the Sudan, Somalia and Chad. To avoid unsustainable debt, situations new attempts for sovereign debt restructuring need to be considered.

Foreign direct investment

63. Foreign direct investment (FDI) flows to the least developed countries increased by one third in 2015 to $35 billion, led by greenfield investment projects. Around half of all greenfield investment in these countries originated from developing countries. However, FDI flows to least developed countries account only for 2 per cent of world FDI.

64. Furthermore, FDI inflows are concentrated in a few mineral and oil extracting countries. However, in 2015 and early 2016, FDI inflows in several least developed countries also increased in the services sector (electricity, gas and water, construction and transport) and in light manufacturing, including food and beverages, namely in Bhutan, Ethiopia, Mozambique, Myanmar, Rwanda, the United Republic of Tanzania and Zambia. This is attributable in part to changes in policies. Proximity to major markets also played a role.

65. The sources of FDI also changed over the past years. Greenfield FDI projects from developed countries amounted to $17.5 billion in 2015, compared with $28 billion from developing economies. Most of this was from Asia, but African investors also provided a significant amount of $4.9 billion.

66. Some developed countries have specialized agencies that provide long-term financing for private sector FDI projects through loans and equity financing. However, most providers allocate relatively small shares of their support to least developed countries.

[6] Statement by Belgium at the Annual Ministerial Meeting, 24 Sept 2016.
[7] Statement by Norway at the Annual Ministerial Meeting, 24 Sept 2016.
[8] As measured by the proportion of development cooperation funding that is disbursed to a country's Government within the fiscal year in which development partners schedule it.
[9] As measured by the proportion of development cooperation disbursed for the public sector using the country's own public financial management and procurement systems.

Remittances

67. Remittance flows to least developed countries continue to increase and have reached $37.5 billion in 2015, up from $36.2 billion in 2014, amounting to more than 4 per cent of GDP. The five largest recipients of remittances as a share of their GDP in 2015 were Nepal (32 per cent), Liberia (31 per cent), Haiti (25 per cent), Comoros (23 per cent) and the Gambia (19 per cent). While remittances are private flows, they can stimulate demand for formal money transfer channels, which in turn provides greater opportunities for banks to extend credit for productive investment.

68. The average cost of sending remittances to least developed countries (including a transaction fee and an exchange rate margin) has declined somewhat, from 11.5 per cent of the amount transferred in 2012 to 9.6 per cent in 2015. However, this is still well above the amount agreed in the Addis Ababa Action Agenda (less than 3 per cent).

H. Good governance at all levels

69. In 2016, Bhutan ratified the United Nations Convention against Corruption,[10] bringing the total number of least developed countries being parties to the agreement to 43. Sustainable Development Goals target 16.5, to substantially reduce corruption and bribery in all their forms, is expected to encourage efforts to curb corruption, which could be fostered through enhanced participation in the Extractive Industries Transparency Initiative and the spread of e-governance.

70. As at June 2016, 14 least developed countries were considered compliant with the Extractive Industries Transparency Initiative, and 6 least developed countries became candidate countries. Implementing the Extractive Industries Transparency Initiative Standard improves government systems and can lead to improved tax collection and budgetary planning. It also signals commitment to the transparent and accountable management of natural resources. For example, Timor-Leste has made meaningful progress in implementing the Standard in its oil sector. A validation report of 2017 noted that recent information about licenses, production, revenues and spending of the petroleum fund was readily available to the public.

71. E-government aims at increasing participation in decision-making, and making public institutions more transparent and accountable through electronic and mobile services. It can contribute to making public services delivery more effective, accessible and responsive to people's needs. Bridging the digital divide has been identified as a crucial factor for advances in e-government. Making data, for example on government spending, available online is also a crucial element of enhanced transparency. There is empirical evidence that countries with high corruption rates in the public sector generally score poorly on their ability to deliver public services by information and communications technologies, including the provision of open government data.

72. The average e-government development index for least developed countries increased somewhat, from 0.21 in 2014 to 0.24 in 2016. The number of least developed countries with development index values of less than 0.25 remained largely constant at 29 in 2016. Most of these countries have extremely low ratings for telecommunications infrastructure. Countries that have progressed from low to middle development index levels are Nepal, Togo and Zambia. The highest ratings of more than 0.45 are held by Bangladesh, Bhutan, Uganda and the United Republic of Tanzania. Meanwhile Congo, Madagascar and Yemen have fallen from middle to

[10] United Nations, *Treaty Series*, vol. 2349, No. 42146.

low development index levels, owing to adverse political and socioeconomic conditions.[11]

73. The least developed countries are disproportionally affected by armed conflict. Of the 14 countries with grave violations against children during armed conflict on the agenda of the Security Council in 2015, 9 were least developed countries. This has long-term effects on development outcomes, as it destroys productive assets and social capital. Children are very vulnerable in armed conflicts and suffer long-term consequences owing to a lack of education and poor health. Children are also most at risk in the three famine-affected least developed countries — Somalia, South Sudan and Yemen — with around 1 million at imminent risk of death in 2017 from severe malnutrition. Furthermore, armed conflicts have resulted in forced displacement, internally and externally (see A/70/836-S/2016/360). Thus, the least developed countries and development partners need to put more emphasis on conflict prevention.

III. Performance and prospects towards graduation

74. Progress towards the target of half the number of least developed countries meeting the criteria for graduation by 2020 has accelerated. Samoa graduated in January 2014 and 10 additional least developed countries reached the graduation thresholds in 2015. Equatorial Guinea is scheduled to graduate in June 2017, Vanuatu in 2020 and Angola in 2021. Five least developed countries (Bhutan, Nepal, Sao Tome and Principe, Solomon Islands and Timor-Leste) met the graduation thresholds for the first time in 2015. These five countries and Kiribati,[12] which met the graduation thresholds for the second time in 2015, will be considered for possible graduation at the next triennial review of the Committee for Development Policy in 2018.

75. Several least developed countries have set explicit timetables for graduation and are pursuing the attainment of the three graduation criteria — gross national income per capita, the human assets index and the economic vulnerability index. Furthermore, several countries have established institutions to support and monitor their graduation process. Progress towards reaching the graduation criteria is also closely linked with other development frameworks. For example Sustainable Development Goal 8.1 reiterates the target set in the Istanbul Programme of Action of 7 per cent growth of GDP per year. The components of the human assets index relate to health and education, which also feature prominently in the Sustainable Development Goals and are crucial for sustainable development. In recent years, the focus of the international community towards reducing vulnerability has increased, including through the Sendai Framework, and least developed countries have made efforts with respect to disaster risk reduction. However, only one of the group of least developed countries that are otherwise meeting the graduation criteria has met the economic vulnerability index threshold so far (Nepal).

76. The least developed countries that are scheduled for graduation are at different stages of preparations for a smooth transition.[13] The Government of Angola has started to work on a road map for a smooth transition strategy, with support from the

[11] *United Nations E-Government Survey 2016* (United Nations publication, Sales No. 16.II.H.2).

[12] Owing to Kiribati scoring the highest on the vulnerability index among all countries and associated concerns on the sustainability of its current level of income, the Committee for Development Policy decided to defer its decision on a recommendation on Kiribati's graduation to 2018.

[13] The CDP undertakes regular monitoring of the Graduated and Graduating Countries from the LDC category, see E/2017/33.

United Nations system, and has established an advisory committee. It is also planning to start a consultative process with relevant stakeholders, including development and trading partners as well as the private sector. For Equatorial Guinea, the impact of graduation is expected to be minimal, as the country did not benefit significantly from support measures specific to least developed countries. In 2015, a graduation process report by the Government and UNDP suggested actions regarding the smooth transition process.

IV. Engagement of stakeholders in the implementation of the Istanbul Programme of Action

77. The Midterm Review of the Istanbul Programme of Action provided an opportunity for all stakeholders to recommit to the internationally agreed programme to lift the least developed countries from poverty. It was preceded by various consultations at the national, regional and global levels and brought together high-level officials and representatives from Governments, parliaments, international and regional organizations, civil society, the private sector, foundations, think tanks and the media. The political declaration outlines concrete actions and initiatives in support of least developed countries and reaffirms the importance of effective and durable multi-stakeholder partnerships (see A/CONF.228/3, chap. I).

78. In the lead-up to the Midterm Review, 32 least developed countries prepared their national reports assessing progress in the implementation of the Istanbul Programme of Action during the first five years. These reports were discussed in the workshop of national focal points of the least developed countries, and the United Nations Office of the High Representative prepared a report entitled "Lessons learned from five years of implementing the Istanbul Programme of Action for the Least Developed Countries".[14]

79. As reflected in section II above, the least developed countries have made progress in the implementation of the Istanbul Programme of Action and there has been a range of efforts by these countries to integrate the Programme of Action in their national planning documents. Ethiopia mainstreamed the Programme of Action into its first Growth and Transformation Plan (2010-2015) as well as into the second Plan (2015-2020) and has continued to implement the Programme as an integral part of its national development programmes. This has resulted in pro-poor economic growth and improvements in the mobilization of domestic resources.[15] Similarly, the Lao People's Democratic Republic has remained committed to the implementation of the Istanbul Programme of Action, incorporating it into the current eighth Five-Year Socioeconomic Development Plan 2016-2020, which focuses on the three graduation criteria and the three dimensions of sustainable development.

80. Many least developed countries have faced challenges owing to the large number of development frameworks they have agreed to mainstream, including global agreements such as Agenda 2030 and the Paris Agreement, as well as regional agreements such as Agenda 2063 of the African Union and the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024. While there are synergies, especially between the 2030 Agenda and the Istanbul Programme of Action, these frameworks have different monitoring mechanisms, creating added burdens related to data collection and reporting.

[14] Available from www.ipoareview.org/lessons-learned/.

[15] Statement by Ethiopia at the Annual Ministerial Meeting, 24 Sept 2016.

81. Structural constraints have also hindered the implementation of the Istanbul Programme of Action. In Liberia, the impacts from the Ebola virus outbreak, and declining global commodity prices, have continued to affect the implementation of the national development plan and the achievement of objectives under the Programme of Action. An effective implementation of the post-Ebola economic recovery plan for Liberia is critical for stabilizing and spurring rapid social and economic recovery, while at the same time, it can help to improve the economy's resilience to any future shocks.[16] Likewise, many least developed countries in conflict situations have struggled to mainstream and implement the Istanbul Programme of Action.

82. Many bilateral donors have continued to provide support for the implementation of the Istanbul Programme of Action. The Government of Italy, with the International Development Law Organization and the United Nations Office of the High Representative have launched a new initiative on investment advisory support to the least developed countries, building on the potential of FDI to help the economies of those countries to diversify, reduce their dependence on commodities and promote new activities in the manufacturing and services sectors.

83. Several countries have provided funds to WTO to help least developed countries to increase their participation in multilateral trade negotiations, including support for training workshops for government officials to improve their negotiation skills.

84. South-South cooperation has intensified and new initiatives in support of least developed countries have been launched in recent years. Following the High-level Round Table on South-South Cooperation, organized jointly by United Nations Office of the High Representative and China in 2015, the Institute of South-South Cooperation and Development was established in May 2016. The Institute is one of several institutions offering masters and doctoral programmes focused on national development, to students from least developed countries.

85. Civil society has continued to contribute actively to the implementation of the Istanbul Programme of Action and offers perspectives from groups working in the least developed countries. The four-day long LDC Civil Society Forum, which was organized by LDC Watch, in collaboration with the United Nations Office of the High Representative, on the margins of the Midterm Review, resulted in the Antalya Declaration,[17] reiterating the statement "No SDGs without LDCs" and underscoring the need for increased synergy and coherence between the Programme of Action and other recently agreed internationally agreed development goals.

86. Academia has continued to engage in the implementation of the Istanbul Programme of Action. Prior to the Midterm Review, LDC IV Monitor, a partnership of think tanks and international organizations, produced the report *Tracking Progress, Accelerating Transformation: Achieving the Istanbul Programme of Action by 2020*.[18] The report, which was presented at a side event during the Midterm Review, highlighted recent accomplishments, missed opportunities and key challenges for the least developed countries.. Furthermore, half of the members of the Governing Council of the Technology Bank for the Least Developed Countries have academic backgrounds.

87. Members of parliament held a parallel event at the midterm review to assess the contribution of national parliaments to the implementation of the Istanbul

[16] Report submitted by Liberia for the Midterm Review.
[17] Available from http://www.ldcwatch.org/.
[18] Available from http://ldc4monitor.org/wp-content/uploads/2016/05/Achieving-the-Istanbul-Programme-of-Action-by-2020.pdf.

Programme of Action and explore ways to further strengthen it. Participants reaffirmed their commitment to the implementation of the Programme of Action and the importance of including it as part of national legislative agendas.

88. The private sector has shown an increasing interest in the Istanbul Programme of Action. The United Nations Office of the High Representative, in cooperation with the World Association of Investment Promotion Agencies, organized a private sector forum on investment opportunities in least developed countries, in May 2016. The Forum brought together about 300 participants and speakers from the least developed countries, investment promotion agencies, the private sector, financial institutions and investors. The importance of better alignment and coordination between trade and investment policies at the national level was underscored by speakers at the forum, as was the need to increasingly focus on small and medium-sized enterprises and entrepreneurs.

89. The private sector was also represented at meetings co-organized by the United Nations Office of the High Representative and respective Governments. Regional meetings of the least developed countries in Africa and the Asia-Pacific region, on financing sustainable energy, were organized in the United Republic of Tanzania in December 2016 and in Nepal in March 2017, respectively, with a focus on increasing private sector contributions towards energy investment. Likewise, representatives of the private sector attended a multi-stakeholder regional meeting for the least developed countries in African, in Senegal in February and March 2017.[19]

90. In 2016, the United Nations Office of the High Representative continued to coordinate the Organization's support for the implementation of the Istanbul Programme of Action. The Toolkit for Mainstreaming the Istanbul Programme of Action for the Least Developed Countries[20] was launched at the high-level event during the Midterm Review. In addition, the implementation of the Programme of Action by the United Nations system is discussed in the framework of the Inter-Agency Consultative Meeting on the Istanbul Programme of Action for the Least Developed Countries.

V. Conclusions and recommendations

91. The implementation of the Istanbul Programme of Action, including the Midterm Review, can enhance progress towards achieving the Sustainable Development Goals and vice versa, as a result of interlinkages and synergies. However, more focus by least developed countries and development partners is needed, especially in those areas that were not explicitly addressed under the Millennium Development Goals, such as productive capacity-building, adaptation to climate change and sustainable energy solutions.

92. The recent slowdown in growth, famine-linked humanitarian crises and the relatively slow reduction in poverty all highlight the need to diversify production and exports and enhance agricultural productivity. There is consensus that building infrastructure, especially in ICT and energy, is a precondition for reaching all of the Sustainable Development Goals, and thus financing such infrastructure from all sources needs to increase rapidly. There is also a need to enhance the capacity of Governments to design policies to ensure that accelerated growth will be sustainable and to leave no one behind.

[19] For details, see http://unohrlls.org/ldcs-meetings-archive/.

[20] Available from http://unohrlls.org/mainstreamingtheipoa/.

93. Least developed countries still lag far behind other countries in science, technology and innovation. Thus the funding and operationalization of the Technology Bank needs to be implemented in 2017, in line with the Sustainable Developments Goals, in order to help trigger greater productive capacity and sustainability, and accelerate progress in health and education.

94. As agriculture still employs the largest share of the population in most least developed countries, the development of the sector is crucial. Agriculture faces tremendous challenges from the impacts of climate change. These countries need to revitalize support for the agricultural sector, including through agricultural extension services and urban-rural connectivity. At the same time, support is needed to develop climate-resistant higher-yield varieties of staple foods in least developed countries.

95. The decline in the share of least developed countries in total trade is partly a result of declining commodity prices and a slowdown in world trade. Should these trends continue, it will be very difficult for these countries to meet certain targets set in the Istanbul Programme of Action and the Sustainable Development Goals. Enhanced support is needed beyond duty-free and quota-free market access for exports of goods. The least developed country services waiver needs to be implemented and these countries need support to implement the Agreement on Trade Facilitation.

96. The deterioration in economic prospects for the majority of commodity exporters underscores the need for least developed countries to expand their export base. It is essential that mechanisms be developed to mitigate and manage risks associated with commodity price shocks. For example, commodity-rich countries should consider creating sovereign wealth funds or stabilization funds that can be utilized during periods of significant reduction in commodity revenue. Other options include creating tighter fiscal rules and deploying countercyclical macroeconomic policies.

97. With respect to enhancing human development, major efforts are needed to reduce poverty through employment creation. One crucial area is infrastructure for education, including vocational training. Access to reference materials, adequate facilities and necessary equipment is critical, as well as an enhanced focus on qualifications for which there is high demand. Furthermore, understanding the interlinkages between improvements in health and nutrition and better educational outcomes should be taken into account when designing policy interventions.

98. The effects of climate change are being felt in least developed countries, exacerbated by the recent El Niño phenomenon, as evidenced by drought in a number of least developed countries in Africa, and by tropical storms that devastated parts of Haiti and Madagascar. The international community needs to step up efforts to meet the targets of the Paris Agreement, increase the level of ambition, scale-up support for adaptation and mitigation to climate change, and make this support more accessible to the least developed countries.

99. More investment — public and private, as well as domestic and external — should be channelled into productive capacity-building, including infrastructure, energy and private sector development, in order to enable structural transformation and to enhance the tax base in the long term.

100. In order to enhance domestic resource mobilization and at the same time enhance growth and equality, the analysis of the effects of taxation in least developed countries — including compliance costs — needs to be improved. Furthermore, support for tax reforms in these countries needs to be customized to fit country conditions and strengthen country ownership and leadership.

101. Despite improvements from some donors, the ODA target of the Istanbul Programme of Action has not been achieved, limiting the ability of least developed countries to invest in infrastructure and service provision in order to enhance productive capacity and reduce poverty. Efforts to reach the ODA target of 0.15-0.2 per cent of gross national income of ODA to least developed countries should be stepped up and aid should be more predictable and aligned with the priorities of these countries.

102. The international community should increase coordinated investment support for least developed countries with the contribution of all stakeholders, in line with decisions set out in paragraph 46 of the Addis Ababa Action Agenda to adopt and implement investment promotion regimes, including (a) financial and technical support for project preparation and contract negotiation, (b) advisory support in investment-related dispute resolution, (c) access to information on investment facilities and (d) enhanced risk insurance and guarantees, such as those available through the Multilateral Investment Guarantee Agency.

103. The principle set out in the Istanbul Programme of Action of country ownership and leadership remains crucial in order to accelerate progress with respect to sustainable development in least developed countries. In this respect, governance is a key element, which includes: improved institutions, the formulation of coherent economic and development policies and strategies and the alignment of resource allocations with national priorities. The statistical capacity of least developed countries also needs to be strengthened in order to design evidence-based policies and improve monitoring of the implementation of various agreements.

104. Recent progress towards graduation from the least developed country category is encouraging, with several of these countries having expressed their aspiration to graduate from the category by 2020 or shortly thereafter. Upon request by graduating and aspiring-to-graduate countries, United Nations support, under the leadership of the United Nations Office of the High Representative, has been stepped up in recent years. Substantive activities and operational programmes of the United Nations Office of the High Representative in support of graduating least developed countries need to be enhanced to match the expected increased demand as more of those countries move towards graduation in the years ahead. Comprehensive support measures in the areas of ODA, trade, investment, technology, and debt sustainability are needed to ensure the smooth transition of countries that have graduated from least developed country status. In order to enhance the effectiveness of smooth transition measures, monitoring and follow-up needs to be further strengthened.

105. There are many encouraging examples of global partnerships with least developed countries. Nevertheless, to fully achieve the overarching goals of the Istanbul Programme of Action and the Sustainable Development Goals, an increased number of development partners should align their national development cooperation strategies with the Programme of Action, including by complying with the ODA targets set in the Istanbul Programme of Action,[21] as recalled in the political declaration of the midterm review. In addition, continuous efforts are needed to ensure the increased predictability and transparency of aid.

106. South-South and triangular cooperation need to be deepened and scaled up, through a more institutionalized approach to collaboration. Deploying financing from all sources, including innovative sources, can have a positive impact on the implementation of the Istanbul Programme of Action.

[21] 0.15-0.20 per cent of donor gross national income provided as aid to least developed countries.

107. During the remaining four years of the implementation of the Istanbul Programme of Action, all stakeholders will have an important role to play in achieving the global goals. Synergies and complementarities between the Programme of Action and the 2030 Agenda and other recent frameworks need to be taken into account, and the monitoring of these various agendas at the national, regional and global levels needs to be aligned.